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Senior Housing Options

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INTRODUCTION

This paper is an overview of demographics and housing options, focused on seniors. As the baby boomers age there will be an increasing number of older people in the country. The purpose of this paper is to investigate the likely changes, and how they might relate to demand for various types of senior housing.

FAIR HOUSING

HUD summarizes the Fair Housing Act on its website as follows:

Fair Housing Act

The Fair Housing Act (FHA) protects all residents from discrimination on the basis of race, color, national origin, religion, sex, handicap or familial status (families with children under the age of 18 living with parents or legal guardians; pregnant women and people trying to get custody of children under 18).

Senior Housing Exemption

Although the FHA was amended in 1988 to prohibit discrimination on the basis of disability and familial status, Congress intended to preserve housing specifically designed to meet the needs of senior residents. Housing that meets the FHA definition of housing for older persons is exempt from the law's familial status requirements, provided that:

- *HUD has determined that the dwelling is specifically designed for and occupied by elderly persons under a Federal, State or local government program or*
- *It is occupied solely by persons who are 62 or older or*
- *It houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house persons who are 55 or older.*

Therefore, housing that satisfies the legal definition of senior housing or housing for older persons described above, can legally exclude families with children.

Housing for Older Persons Act

The Housing for Older Persons Act (HOPA), signed into law by President Clinton on December 28, 1995, amended the housing for older persons exemption against familial status discrimination. The HOPA modified the statutory definition of housing for older persons as housing intended and operated for occupancy by at least one person 55 years of age or older per unit. It eliminated the requirement that housing for older persons have significant services and facilities specifically designed for its elderly residents. It required that facilities or communities claiming the exemption establish age verification procedures. It established a good faith reliance defense or exemption against monetary damages for persons who illegally act in good faith to exclude

children based on a legitimate belief that the housing facility or community was entitled to the exemption.

USDA RURAL HOUSING SERVICE

According to Rural Development HB-2-3560 (02-24-05) SPECIAL PN,

Elderly families: A household where the tenant, co-tenant, member, or co-member is at least 62 years old, or disabled, as defined below. An elderly family may include a person younger than 62 years of age. (To receive an elderly family deduction, the person who is elderly, disabled must be the tenant, cotenant, member, or co-member.) Individual with Disabilities: The term disability is considered equivalent to the term handicap. Eligibility requirements for fully accessible units are contained in 7 CFR 3560.154(g)(1)(i) and 3560.155(b). A person is considered to have a disability if either of the following two situations occur: (1) As defined in section 501(b) of the Housing Act of 1949. The person is the head of household (or his or her spouse) and is determined to have an impairment which: (i) Is expected to be of long-continued and indefinite duration; (ii) Substantially impedes his or her ability to live independently; and (iii) Is of such a nature that such ability could be improved by more suitable housing conditions, or if such person has a developmental disability as defined in section 102(7) of the Developmental Disability and Bill of Rights Act (42 U.S.C. 6001(7)).

“Rural Housing Options for Elderly People,” a USDA Rural Development publication, notes:

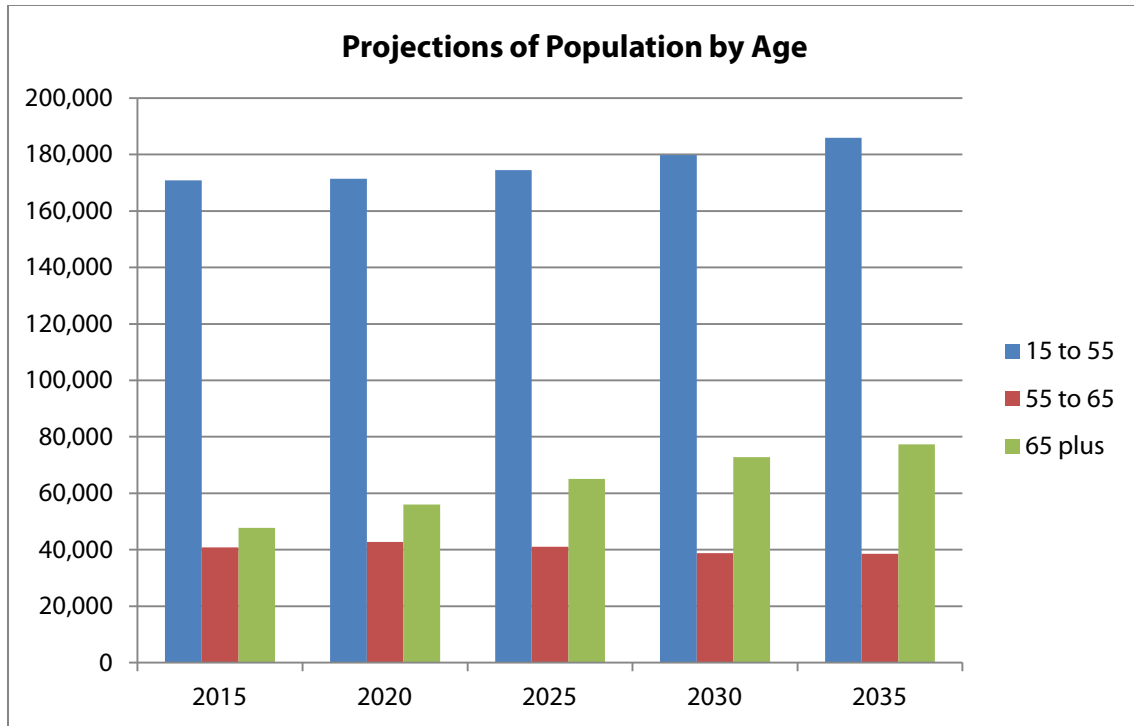
- 42 percent of USDA multi-family tenants are elderly.
- 47 percent of Section 515 funds in 1999 were invested in housing for the elderly.
- A small percentage of Section 515 complexes offer congregate care facilities in which seniors receive two cooked meals per day.
- Through the Community Facilities Loan and Grant program, USDA finances a range of service centers for elderly people, including nursing homes, boarding care facilities, assisted care, adult day care, and a few intergenerational care facilities which serve both elderly people and children at the same time.

DEMOGRAPHICS

The following sections will provide a variety of demographic information on seniors, both historic data and projections.

Age Distribution

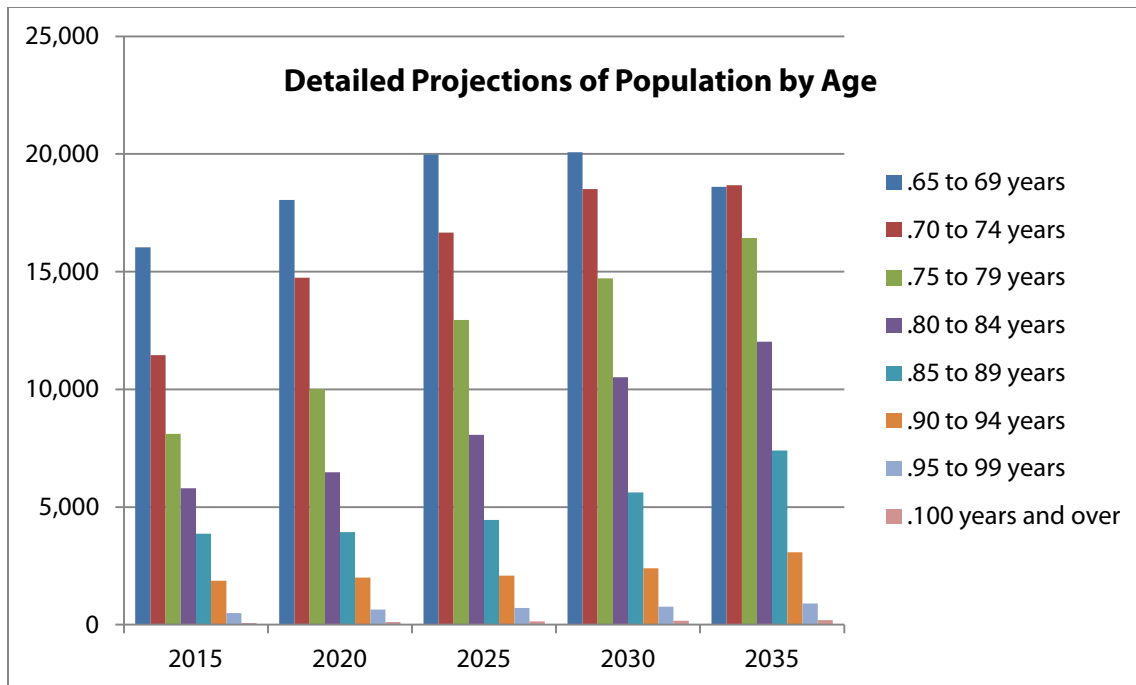
The following table shows the projected number of persons in three age groups (15 to 55, 55 to 65, and 65 or more) for years out to 2035. This projection is the so-called “middle series.” It is the one the Bureau feels most likely to be accurate. It assumes that various trends and policies (including immigration) will continue.



Source: U.S. Census Bureau, Population Division; Table 12: Projections of the Population by Age and Sex for the United States: 2015 to 2060 (NP2012-T12); Release Date: December 2012

As shown in the graph above, the number of persons aged 55 to 65 is projected to increase slightly to 2020, and then begin to decline slightly. The number of persons 65 and over is projected to increase about 62% over the period, an average of 3.1% per year. The 15 to 55 year group is projected to grow by only 9% over the same period (0.4% per year). Those aged 65 and older are projected to increase from 14.8% of the population in 2015 to 20.9% in 2035.

The following table breaks down the age groups within the 65 plus category:



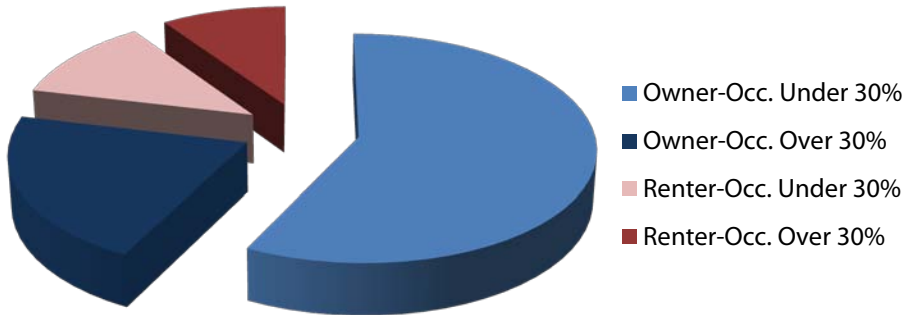
Source: U.S. Census Bureau, Population Division; Table 12: Projections of the Population by Age and Sex for the United States: 2015 to 2060 (NP2012-T12); Release Date: December 2012

As you can see the number aged 65 to 74 is predicted to increase through 2030, and then decline some, while the number 75 to 84 greatly increases year after year. The number of those aged 85 and above increases each year, but not as greatly.

Here are some key demographics about those currently (2012 1-yr ACS) 65 and older. Those aged 65 and older have a median age of 73.7. They are 65% female, 85% white, 54% married; 27% widowed. About a quarter have a college degree while 20% did not graduate high school. Only 1.2% of them are responsible for grandchildren. 36% report having a disability. Only 6% have moved within a year. Fifteen percent speak a language other than English at home. While we typically picture those over 65 as being retired, 35% had income from earnings in the past 12 months (mean of \$48,670); 91% reported Social Security (mean \$18,499); 48.9% report retirement income with a mean of \$23,446.

Most people (78.7%) 65 and older live in their own homes. 73% of them pay less than 30% of their income on monthly housing expense. Of those who own a home, the median value is \$162,600. Of those who rent, 55% pay less than 30% of their income for gross rent (rent plus utilities). The median gross rent paid by those 65 and older was \$728 per month.

Tenure; Householder 65 or Older Portion of Income for Housing Cost



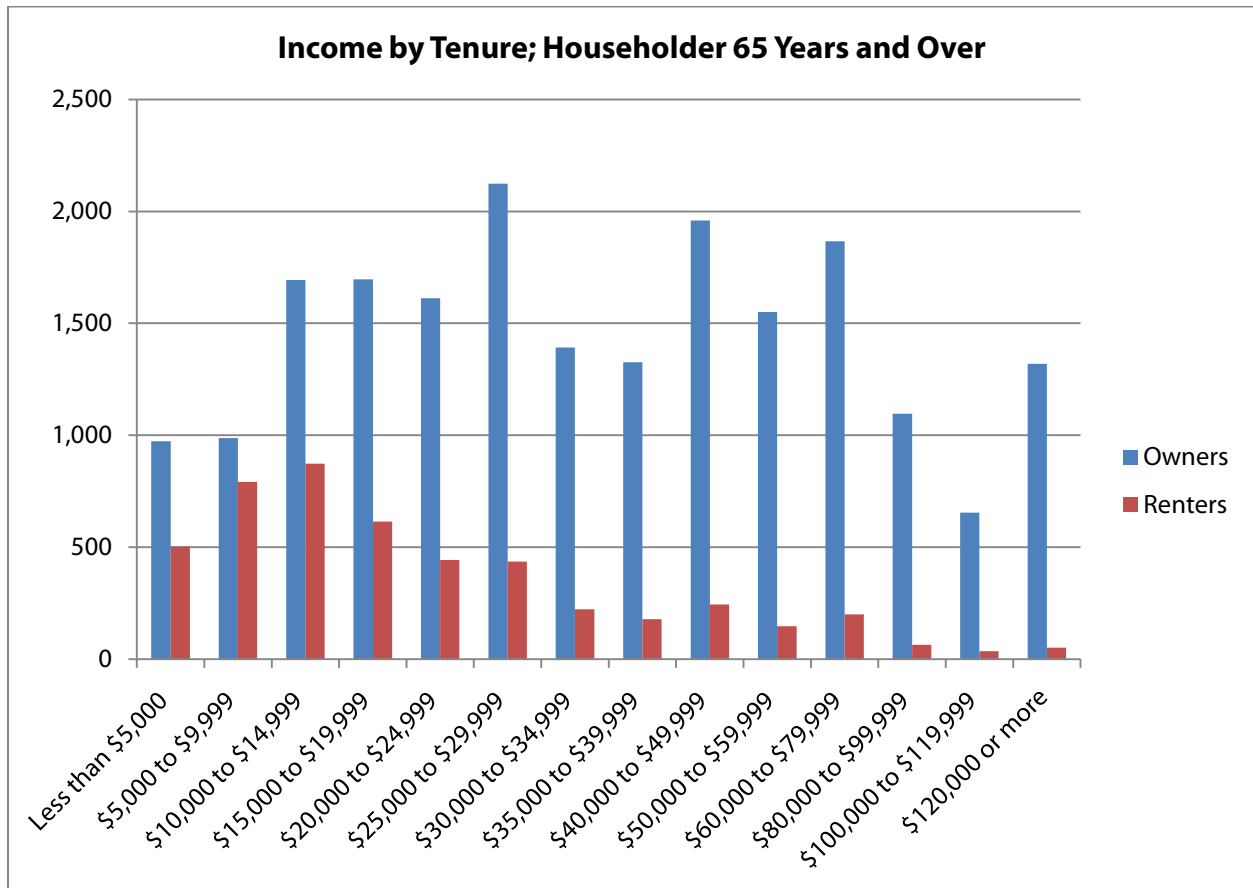
2012 American Community Survey 1-Year Estimates

Income

The following graph shows (2012 1-yr ACS) income data for households with a householder aged 65 or older:



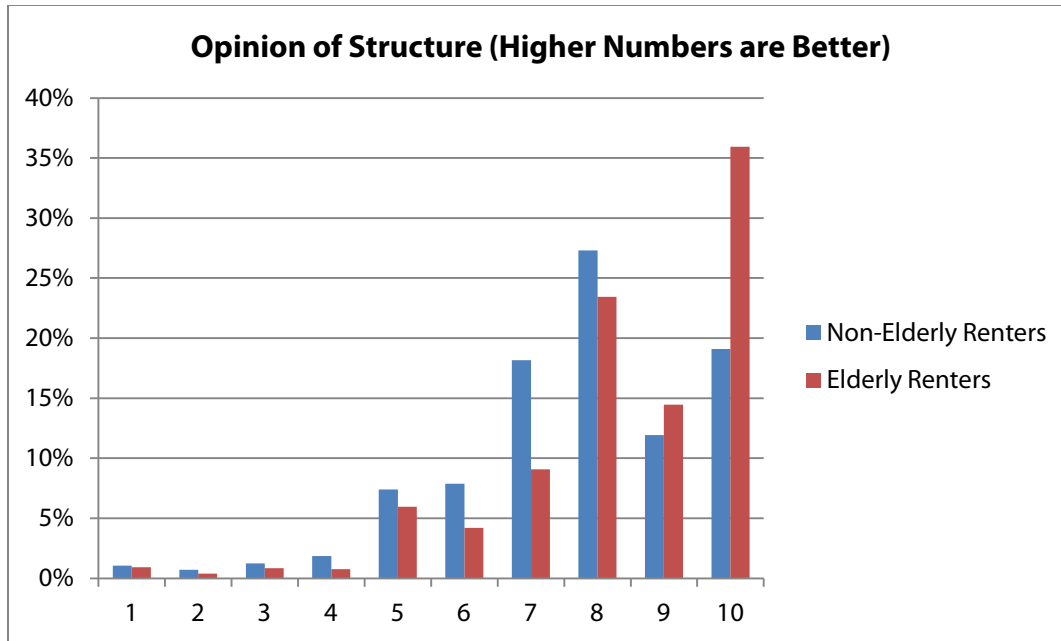
Broken down by tenure:



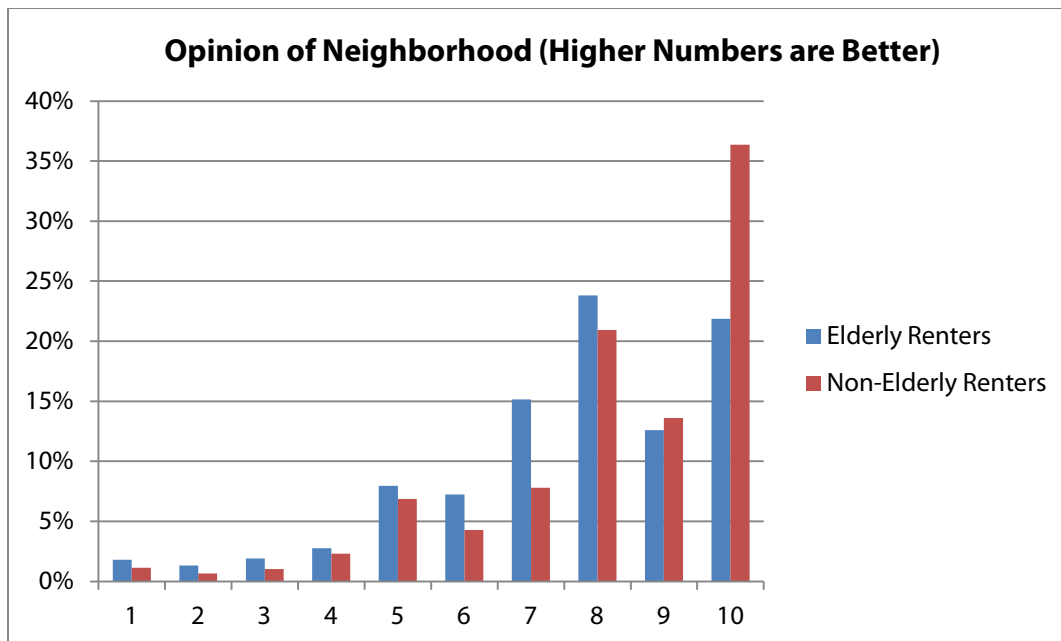
Source: 2011 American Housing Survey

Satisfaction

Senior renters are more satisfied with their housing choices than non-senior renters. The following two graphs show senior's opinions of both the structure they live in and the neighborhood they live in, with non-senior households shown for comparison. The scale is 1 to 10, with ten being the best and one being the worst. For each question 36% of all seniors ranked their structure/neighborhood as being the best.



Source: 2011 American Housing Survey



Source: 2011 American Housing Survey

TYPES OF SENIOR HOUSING

In addition to single family homes and living with adult children, types of senior housing choices include independent living, continuing care retirement community, assisted living, nursing homes, and hospice.

Independent Living

Multifamily age-restricted housing that might provide some services. Different people/agencies use this term to mean different things, including housing with no services at all.

Supportive Services

There are no standard definitions of supportive services and offerings vary from state to state and location to location. Services can include such things as social coordinators, transportation, meals, and personal assistance with daily tasks.

Continuing Care Retirement Community (CCRC)

A CCRC a retirement community with an insurance style contract that provides all levels of care.

Assisted Living

In general, assisted living facilities are licensed and regulated by the states. They provide housing with services such as meals, laundry, housekeeping, medication management and other activities of daily living. Other terms that might have the same meaning (depending on the state) include Personal Care, Board and Care, Residential Care, or Boarding Home.

For example, in Iowa, assisted living is defined by statute and regulated by a state agency (DIA). According to Iowa Finance Authority (IFA), "assisted living means provision of housing with services which may include but are not limited to health-related care, personal care, and assistance with instrumental activities of daily living to three or more tenants in a physical structure which provides a homelike environment...[it] includes 24 hours per day response staff to meet scheduled and unscheduled or unpredictable needs in a manner that promotes maximum dignity and independence and provides supervision, safety, and security."

According to the National Center for Assisted Living (NCAL) there are 750,000 persons in assisted living. The average length of stay is 22 months, 59% will move into a nursing facility while 33% pass away; the rest either move to some other location or go home. The typical resident is an 87 year old female who needs help with two or three activities of daily living (ADL). Bathing and dressing are the two most common ADLs.

According to the Iowa Health Care Association 2006 AL Survey, 85% of assisted living residents in Iowa are female, 81% walk with a device or use a wheelchair, and 35% have some level of dementia. Most tenants use assistance for medication management, housekeeping, travel, laundry, and bathing. Some tenants also need assistance with eating, toileting, dressing, or telephone.

Nursing Home Care

Nursing homes are state licensed and provide 24 hour nursing care. Nursing homes are also known as nursing facilities or convalescent homes.

According to CDC.gov FastStats "Nursing Home Care," in 2006 there were 16,100 nursing homes in operation with 1.5 million residents. At that time there was a total of 1.7 million beds with an occupancy rate of 86%. The average length of time since admission was 835 days.

Hospice Care

Housing for people with terminal illness. Most hospice care is in-home.

DEMAND FOR SENIOR APARTMENTS

It is safe to conclude that the demand for senior apartments will increase over the next several decades, but the extent is not clear. For instance, as people lead healthier and more prosperous lives, many of them might choose to live in their homes longer; while some may choose to move to CRCC facilities or other owner-occupied dwellings.

It will be important for market analysts to consider the wide variety of senior living options when estimating demand for any given type of housing. To summarize some of the numbers we saw above, there are roughly 40 million persons aged 65 or older. About $\frac{3}{4}$ of householders 65 and older are homeowners, so that means there are about 10 million senior renters. We also saw that there are about 2 million seniors who are either in assisted living or nursing homes.